

Message Text

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C O N F I D E N T I A L SECTION 01 OF 03 VIENNA 00479

FOR 'A' ONLY ATTENTION HOWE

E.O. 11652: GDS
TAGS: OREP
SUBJECT: AMBASSADOR WOLF'S BRIEFING OF CODEL SMITH

1. AMBASSADOR WOLF, ASSISTED BY THE COUNTRY TEAM, BRIEFED CODEL SMITH IN THE EMBASSY CONFERENCE ROOM COMMENCING AT 0905 HOURS ON JANUARY 9. ALL MEMBERS OF THE DELEGATION WERE PRESENT. SUMMARY OF THE BRIEFING FOLLOWS.

2. ON AUSTRIAN FOREIGN POLICY, THE AMBASSADOR NOTED THE EXCELLENT STATE OF US-AUSTRIAN RELATIONS AND THE FEELING OF INDEBTEDNESS AMONG AUSTRIANS (ESPECIALLY OLDER AUSTRIANS) TO THE UNITED STATES FOR MARSHALL PLAN ASSISTANCE, AND FOR SUPPORT IN CONCLUDING THE 1955 STATE TREATY ENDING FOUR-POWER OCCUPATION. THE AMBASSADOR REVIEWED FOUR BASIC WORKING PRINCIPLES OF AUSTRIAN FOREIGN POLICY.

1) SPECIAL EFFORT TO MAINTAIN FRIENDLY RELATIONS WITH BOTH COMMUNIST AND NON-COMMUNIST COUNTRIES. IN AUSTRIAN GOVERNMENT'S VIEW, HISTORIC TIES TO EASTERN EUROPE ALLOW IT TO PLAY ROLE OF "BRIDGE-BUILDER" TO COMMUNIST EASTERN EUROPEAN COUNTRIES.

2) PROMOTION OF AUSTRIA AS SITE FOR EAST-WEST NEGOTIATIONS AND INTERNATIONAL CONFERENCES AND ORGANIZATIONS.
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3) STRONG SUPPORT TO UNITED NATIONS. AUSTRIA CONSIDERS UN A USEFUL FORUM FOR SMALL COUNTRIES' EFFORTS TO MAINTAIN THEIR INDEPENDENCE. IN CONTRAST TO SWITZERLAND, AUSTRIA, WHICH IS ALSO MILITARILY NEUTRAL, IS VERY ACTIVE IN UN BODIES AND IS BUILDING A MAJOR PROJECT TO HOUSE UN BODIES IN VIENNA.

4) SPECIAL ROLE IN INTERNATIONAL, HUMANITARIAN ACTIVITIES. THE AMBASSADOR CITED AUSTRIA'S STRONG COMMITMENT TO HUMAN RIGHTS AND ITS VARIOUS EFFORTS ON BEHALF OF REFUGEES AND EMIGRES, INCLUDING SOVIET-JEWISH EMIGRES TRANSITING AUSTRIA AND GOING TO ISRAEL AND OTHER STATES.

3. THE AMBASSADOR STRESSED AUSTRIA'S ECONOMIC DEPENDENCE ON DEVELOPMENTS OUTSIDE ITS BORDERS AND CITED INTEREST IN THE COURSE OF THE DOLLAR. HE NOTED THE IMPORTANCE IN THIS RESPECT OF DEVELOPMENTS REGARDING THE ENERGY AND TAX REFORM BILLS PRESENTLY UNDER CONSIDERATION IN THE U.S. CONGRESS. THE AMBASSADOR NOTED THAT THE AUSTRIAN ECONOMY (DESPITE EFFECTS OF THE "HARD SCHILLING" POLICY, WHICH HAS TIED THE SCHILLING TO THE GERMAN DM) AND LED TO OVER-VALUATION OF THE CURRENCY BY PERHAPS 20, WAS DOING FAIRLY WELL. THERE IS A LARGE TRADE DEFICIT, BUT THE AMBASSADOR EXPRESSED OPTIMISM ABOUT TRADE PROSPECTS FOR SOME AMERICAN PRODUCTS.

4. IN RESPONSE TO CONGRESSMAN ANDREWS' QUESTION REGARDING THE OVERALL EFFICIENCY OF AUSTRIA'S NATIONALIZED INDUSTRIES, THE AMBASSADOR NOTED THAT THEY HAD BEEN MANAGED QUITE EFFICIENTLY. HE ADDED, HOWEVER, THAT OVERALL PRODUCTIVITY INCREASES HAVE FAILED TO KEEP PACE WITH OTHER NEIGHBORING COUNTRIES. RESPONDING TO CHAIRMAN

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SMITH'S QUERY ON HOW NATIONALIZATION WAS ACCOMPLISHED IN AUSTRIA, THE AMBASSADOR POINTED OUT THAT THIS WAS DONE IN THE EARLY POST WORLD WAR II ERA. HE NOTED TOO THAT WHILE THE GOVERNMENT OWNED STOCK IT DID NOT ATTEMPT TO DIRECTLY MANAGE THE FACTORIES. CONGRESSMAN ANDREWS STATED THAT LOW PRODUCTIVITY COULD REFLECT INSTABILITY WHICH COULD LEAD TO MORE SERIOUS PROBLEMS IN THE ECONOMY.

5. SPEAKING ON THE AUSTRIAN DOMESTIC SCENE, THE DCM INDICATED THAT THE SOCIALIST PARTY HAS BEEN IN POWER SINCE 1970, THAT IT HAS A NARROW ABSOLUTE MAJORITY IN THE PARLIAMENT, BUT THAT IT MAY FACE PROBLEMS IN MAINTAINING ITS ABSOLUTE MAJORITY IN THE NEXT NATIONAL ELECTIONS IN 1979--PARTICULARLY IF THE ECONOMIC SITUATION SHOULD WORSEN SIGNIFICANTLY OVER THE NEXT 18 MONTHS. CONGRESSMAN WYDLER ASKED WHICH PARTY WOULD TAKE OVER THE GOVERNMENT IF THE SOCIALISTS LOST THE ELECTIONS. THE DCM DESCRIBED THE POSITION OF THE MODERATELY CONSERVATIVE PEOPLE'S PARTY IN THE BODY POLITIC, AND NOTED THAT, AS SECOND LARGEST PARTY IN PARLIAMENT, IT WOULD PRESUMABLY TRY TO FORM A GOVERNMENT IF THE SOCIALISTS WERE UNSUCCESSFUL IN DOING SO. IN RESPONSE TO CONGRESSMAN WYDLER'S

QUERY ON COMMUNIST PARTY STRENGTH, THE POLITICAL COUNSE-
LOR STATED THAT THE PARTY WAS A MINISCULE ONE, HAS ABOUT
15,000 MEMBERS, AND HAS NO REPRESENTATIVES IN THE FEDERAL
OR PROVINCIAL PARLIAMENTS, NOT HAVING OVERCOME THE 5
PERCENT MINIMUM VOTE BARRIER. THE DCM EXPANDED ON THE

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C O N F I D E N T I A L SECTION 02 OF 03 VIENNA 00479

FOR 'A' ONLY ATTENTION HOWE

AMB DCM ADMIN, POL ECON CON, PAO AGATT DAO, FILE
THEME OF THE INABILITY OF THE EXTREME LEFT IN AUSTRIA TO
BECOME AN IMPORTANT POLITICAL FORCE, BY UNDERLINING
CHANCELLOR KREISKY'S OWN STRONG PRO-WESTERN ATTITUDES AS
REFLECTED IN HIS RECOGNITION OF THE IMPORTANCE OF A
STRONG NATO AS A BASIS ON WHICH TO BUILD EAST-WEST
DETENTE AND KREISKY'S OWN STRONG DOMESTIC ANTI-COMMUNIST
POSTURE. IN A COMMENT ON VOTER INTEREST, CONGRESSMAN
MILLER REFERRED TO THE AUSTRIAN NATIONAL ELECTIONS OF
1975 AND ASKED WHAT VOTER PARTICIPATION HAD BEEN. THE
DCM RESPONDED THAT IT HAD BEEN VERY HIGH, SLIGHTLY IN
EXCESS OF 90 PERCENT; THE POLITICAL COUNSELOR OBSERVED
THIS WAS DUE IN PART TO THE MANDATORY VOTING REQUIREMENT.

6. CHAIRMAN SMITH COMMENTED THAT A CRITICAL QUESTION IN
ANY COUNTRY WAS ECONOMIC GROWTH AND THAT THIS WAS A
PRIME CONSIDERATION OF GOVERNMENT. THE AMBASSADOR
STRESSED THAT THE LOCAL ECONOMY HAD GROWN RAPIDLY OVER
THE LAST 20 YEARS AND THAT UNEMPLOYMENT WAS AT VERY LOW
LEVELS (UNDER 2). TO DIVERSIFY SOURCES OF ENERGY
SUPPLY AWAY FROM EASTERN EUROPE, AN AUSTRIAN CONCERN
RECENTLY PURCHASED A COAL MINE IN THE U.S. CONGRESSMAN
ANDREWS AND MILLER RAISED OTHER QUESTIONS ABOUT AUSTRIAN
SUPPLIES OF COAL, GAS AND OTHER ENERGY RESOURCES, WHICH
WERE DISCUSSED BY THE AMBASSADOR AND EMBASSY STAFF.

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7. THE AMBASSADOR CONTINUED BY STRESSING KREISKY'S EXTRA-ORDINARY ROLE IN INTERNATIONAL RELATIONS, GIVEN AUSTRIA'S RELATIVE MODEST SIZE AND POWER. KREISKY'S LEADERSHIP ROLE IN THE SOCIALIST INTERNATIONAL HAS MADE HIM A RANKING SPOKESMAN IN INTERNATIONAL SOCIALIST CIRCLES. THE AMBASSADOR NOTED KREISKY'S FIRM IDEOLOGICAL COMMITMENT TO THE WEST AND THE IMPORTANCE THE CHANCELLOR PLACES ON CLOSE CONSULTATIONS WITH THE UNITED STATES AND WEST EUROPEANS.

8. IN RESPONSE TO CONGRESSMAN STOKES' QUERY ON UNEMPLOYMENT AND YOUTH LABOR PROBLEMS, THE EMBASSY STAFF INDICATED THAT AUSTRIA DOES NOT HAVE A SERIOUS PROBLEM IN THIS REGARD SINCE UNEMPLOYMENT IS EXPECTED TO RUN ABOUT 2-1/2 - 3 PERCENT IN 1978 AND YOUTH UNEMPLOYMENT IS MINIMAL. IT WAS NOTED THAT AUSTRIA ALSO DOES NOT HAVE A SERIOUS PROBLEM WITH ALCOHOLISM OR DRUG ABUSE, ALTHOUGH WE AND THE AUSTRIANS SHARE A CONCERN ABOUT THE USE OF AUSTRIA AS A COUNTRY OF TRANSIT FOR DRUG TRAFFICKING FROM EAST TO WEST. THE EMBASSY DEA OFFICE IS ENGAGED IN REGIONAL OPERATIONS AGAINST SUCH TRAFFIC. THE GOVERNMENT OF AUSTRIA AND SEVERAL NEIGHBORING STATES, THROUGH DEA ASSISTANCE AND SUPPORT, HAVE BEEN SUCCESSFUL IN RECENT MONTHS IN INTERCEPTING SEVERAL LARGE SHIPMENTS OF ILLEGAL DRUGS.

9. CONGRESSMAN O'BRIEN ASKED FOR A RUNDOWN ON THE JEWISH REFUGEE TOPIC. THE CONSULAR COUNSELOR EXPLAINED THE PROCEDURES FOLLOWED BY SOVIET-JEWISH EMIGRES WISHING TO LEAVE THE USSR AND NOTED THEIR FREEDOM OF CHOICE IN VIENNA AS TO THEIR ULTIMATE COUNTRY OF DESTINATION. ALSO DISCUSSED WAS THE OPERATION OF A REFUGEE CAMP IN
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AUSTRIA FOR REFUGEES OTHER THAN SOVIET-JEWISH ONES, AND SOME OF THE PROBLEMS FACED BY LOCAL RECEPTION CENTERS IN PROCESSING THEM. IN THIS REGARD STAFFDEL MIZELLE NOTED THE FUNDING ROLE OF ICEM.

10. THE AGRICULTURAL ATTACHE ANSWERED QUESTIONS POSED BY CONGRESSMAN ANDREWS RE RELATIVE GRAIN PRICES AMONG AUSTRIA, THE EUROPEAN COMMUNITY AND THE U.S.

11. AT ABOUT 1000 HOURS, THOSE CONGRESSMEN WITH OTHER SCHEDULED BRIEFINGS DEPARTED FOR THEM: CONGRESSMEN FLYNT AND ADDABBO FOR INTELLIGENCE COMMUNITY BRIEFINGS; CONGRESSMEN BEVILL AND WYDLER TO M/IAEA FOR IAEA BRIEFINGS.

12. THE EMBASSY BRIEFING THEN RESUMED WITH THE DCM REVIEWING A CHART OF RESOURCE ALLOCATIONS FOR FY 77. IN LIGHT OF A COMMENT BY CONGRESSMAN ANDREWS, IT WAS AGREED THAT A PRESENTATION NOTING GROSS EXPENDITURES WOULD HAVE BEEN MORE APPROPRIATE. THE UN CITY CONSTRUCTION FINANCING AND EVENTUAL USE AND THE MBFR TALKS WERE ALSO COVERED.

13. CONGRESSMAN MILLER ASKED ABOUT THE SIZE AND COMPOSITION OF THE AUSTRIAN NATIONAL DEBT, WHICH THE AMBASSADOR NOTED WAS RELATIVELY SMALL. THE ECONOMIC COUNSELOR COMMENTED ON THE TAX STRUCTURE AND THE AUSTRIAN GOVERNMENT'S RECENT INCREASE IN CERTAIN TAXES. HE ALSO NOTED THE REDUCTION IN GOVERNMENT CONTRIBUTIONS TO FUND SOCIAL WELFARE BENEFITS.

14. CHAIRMAN SMITH ASKED ABOUT THE TERRORISM THREAT IN

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FOR 'A' ONLY ATTENTION HOWE

VIEW OF THE VARIOUS UN AND OTHER INTERNATIONAL ACTIVITIES IN VIENNA. THE POLITICAL COUNSELOR DESCRIBED TWO RECENT VIENNA KIDNAPPINGS WHICH SEEMED MORE DIRECTED AT ACQUIRING FUNDS THAN AT ACHIEVING POLITICAL OBJECTIVES. HOWEVER, THE EARLIER ASSASSINATION OF THE TURKISH AMBASSADOR AND THE OPEC HEADQUARTERS TAKEOVER, BOTH ABOUT TWO YEARS AGO, WERE SERIOUS TERRORIST INCIDENTS. THESE DEVELOPMENTS HAVE SERVED TO TOUGHEN THE AUSTRIAN STANCE ON TERRORISM AND MOVE AUSTRIAN AUTHORITIES TO TAKE MORE

EFFECTIVE MEASURES, INCLUDING THE ESTABLISHMENT OF A SPECIAL ANTI-TERRORIST FORCE, TO COUNTER TERRORIST ACTIVITIES.

15. IN RESPONSE TO A QUESTION FROM CONGRESSMAN STOKES REGARDING URBAN BLIGHT, THE PAO RESPONDED THAT THERE WERE NO SLUM AREAS IN VIENNA, BUT THAT A GOOD DEAL OF THE HOUSING COULD BE DESCRIBED AS MEETING ONLY MINIMUM STANDARDS. IT WAS FURTHER NOTED THAT CRIME WAS NOT DIRECTLY RELATED TO URBAN LIVING IN AUSTRIA. IN RESPONSE TO QUERIES ON THE LABOR SITUATION, THE STAFF NOTED THAT THE AUSTRIAN GOVERNMENT WAS COMMITTED ABOVE ALL TO A POLICY OF FULL EMPLOYMENT AND GENEROUS WELFARE PROGRAMS. TO COUNTER UNEMPLOYMENT, THE GOVERNMENT IS MOVING TO REDUCE THE NUMBER OF FOREIGN WORKERS IN AUSTRIA, PROBABLY BY 40,000 IN 1978, AND TO RE-TRAIN UNDER-
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EMPLOYED WORKERS IN FACTORIES. DIFFICULTIES IN DISMISSING WORKERS (OTHER THAN FOREIGN WORKERS) WERE STRESSED. THE AMBASSADOR NOTED THAT FRICTIONAL UNEMPLOYMENT IN AUSTRIA WAS INSIGNIFICANT SINCE WORKER MOBILITY WAS ALMOST NONEXISTENT.

16. THE DCM SUMMED UP FINANCIAL PROBLEMS FACING THE EMBASSY BY INDICATING THAT DOLLAR EROSION WAS A SERIOUS PROBLEM FOR POST FUNDING AND THAT IF THE EXCHANGE CONTINUED TO DROP, THE POST WOULD HAVE TO ASK FOR ADDITIONAL FUNDS. ALSO, IN VIEW OF THE SCHEDULED OPENING OF UN CITY IN THE FALL OF 1979, THE EMBASSY FELT THAT NOW WAS THE RIGHT TIME TO ACQUIRE AN UNDEVELOPED LAND SITE FOR ANTICIPATED HOUSING REQUIREMENTS TO SATISFY CURRENT AND EXPANDED INTERNATIONAL ORGANIZATION OPERATIONS. THE EMBASSY WOULD BE SUBMITTING RECOMMENDATIONS ALONG THESE LINES TO THE DEPARTMENT.

17. THE BRIEFING ENDED AT 1100 HOURS WITH A TOUR OF THE CHANCERY BY MEMBERS OF THE CODEL. INTEREST EXPRESSED BY MEMBERS OF THE CODEL PROMPTED THE EMBASSY TO ARRANGE FOR A VISIT TO UN CITY WITH AN ADDITIONAL VISIT TO THE PROPOSED ACQUISITION SITE. WOLF

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